Ephraim Mogale Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Local municipality
Municipal demarcation code	LIM471
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community.
Executive Mayor	Mmakola MY
Speaker	Modisha LB
Chief Whip	Ratau MF
Mayoral committee	Mahlobogoane ST Makitla TS Matlala F Monyamane EM Phefadi MG
Traditional leaders	Matlala MM Mashung MJ Lehwelere-Mathlala MA Rahlagane MP Kekana PK
Councillors	Bogopa JH Bokaba HS Chauke MS Esson BA Kekana KN Kekana MM Mabaso WM Makanyane GN Mamogobo SC Mashego GB Mokonyane MJ Molotshwa FK Morwaswi ME Mothwa NM Mphahlele LJ Nchabeleng MJ Ndobeni NR Phala MG Ranoto P Sebothoma OE Sehlola ET Seoka KM Seono MR Tshiguvho EM
Grading of local authority	Grade 2
Capacity of local authority	Low capacity

General Information

Accounting Officer	Mathebela M (1 April 2015 to date) Mashamba NS (Acting) (1 July 2014 to 31 March 2015)
Chief Finance Officer (CFO)	Ramosibi K
Registered office	No. 13 Ficus street Civic centre MARBLE HALL 0450
Business address	No. 13 Ficus street Civic centre MARBLE HALL LIMPOPO 0450
Postal address	PO Box 111 MARBLE HALL LIMPOPO 0450
Bankers	ABSA Bank First National Bank
Auditors	Auditor General of South Africa
Attorneys	Kgatla Incorporated Popela Maake Attorneys Renqe Kunene Incorporated Mamadimo Magane Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

EPWP	Expanded Public Works Program
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South Africa Local Government Association
SDL	Skills Develpoment Levy
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practise (GRAP) and the Municipal Finance Management Act (Act 56 of 2003) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and presnted in their report.

The annual financial statements set out on pages 7 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed at Marble Hall and by:

Accounting Officer
M Mathebela

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

Name of member	Number of meetings attended
Malatji TM (Chairperson)	7
FIhlani Z	2
Letsela MH	7
Matabane BTA	7
Ramataboe M	7

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 42 848 926 (2014: surplus R 8 208 218).

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 931 845 496.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mathebela M	South African

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	81 581 795	49 661 840
Deposits	4	260 564	100 926
Receivables from exchange transactions	5	4 660 061	5 334 809
Receivables from non-exchange transactions	6	16 044 503	9 693 067
VAT receivable	7	2 467 362	4 359 057
Inventories	8	798 751	689 236
		105 813 036	**69 838 935**
Non-Current Assets			
Investment property	9	118 087 200	114 048 000
Property, plant and equipment	10	792 771 045	788 573 861
		910 858 245	**902 621 861**
Non-Current Assets		910 858 245	902 621 861
Current Assets		105 813 036	69 838 935
Total Assets		**1 016 671 281**	**972 460 796**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	35 895 359	36 988 864
Consumer deposits	12	1 568 314	1 620 351
Finance lease obligation	13	1 425 253	1 316 866
Unspent conditional grants and receipts	14	15 523 874	11 672 161
		54 412 800	**51 598 242**
Non-Current Liabilities			
Finance lease obligation	13	3 589 907	5 015 160
Provisions	15	9 472 078	8 608 823
Employee benefit obligation	16	17 351 000	18 242 000
		30 412 985	**31 865 983**
Non-Current Liabilities		30 412 985	31 865 983
Current Liabilities		54 412 800	51 598 242
Total Liabilities		**84 825 785**	**83 464 225**
Assets		1 016 671 281	972 460 796
Liabilities		(84 825 785)	(83 464 225)
Net Assets		**931 845 496**	**888 996 571**
Accumulated surplus		931 845 496	888 996 571

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	40 148 372	36 911 714
Rental income	18	123 685	158 352
Interest received	19	4 957 914	228 091
Licences and permits	20	11 192 463	9 888 761
Other income	21	15 845 322	3 297 654
Total revenue from exchange transactions		**72 267 756**	**50 484 572**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	25 771 581	29 830 571
Transfer revenue			
Government grants and subsidies	23	122 466 287	97 043 498
Fines	24	1 868 179	1 239 376
Total revenue from non-exchange transactions		**150 106 047**	**128 113 445**
		72 267 756	50 484 572
		150 106 047	128 113 445
Total revenue		**222 373 803**	**178 598 017**
Expenditure			
Employee related costs	25	(52 947 790)	(47 815 515)
Remuneration of councillors	26	(10 343 455)	(9 879 963)
Debt impairment	27	(3 642 384)	(6 207 420)
Depreciation and amortisation	28	(40 721 576)	(37 960 565)
Finance costs	29	(2 042 079)	(1 432 117)
Repairs and maintenance	30	(8 157 967)	(9 180 043)
Bulk purchases	31	(23 580 252)	(21 544 525)
Contracted services	32	(4 071 247)	(2 854 919)
Grants and subsidies paid	33	(1 587 562)	(1 173 633)
General expenses	34	(38 360 632)	(35 494 099)
Loss on disposal of assets	35	(1 305 664)	-
Total expenditure		**(186 760 608)**	**(173 542 799)**
		-	-
Total revenue		222 373 803	178 598 017
Total expenditure		(186 760 608)	(173 542 799)
Operating surplus		**35 613 195**	**5 055 218**
Fair value adjustments	36	4 039 200	6 719 000
Actuarial gains/ (losses)	16	3 196 530	(3 566 000)
		7 235 730	**3 153 000**
Surplus before taxation		42 848 925	8 208 218
Taxation		-	-
Surplus for the year		**42 848 925**	**8 208 218**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	**880 788 353**	**880 788 353**
Changes in net assets		
Surplus for the year	8 208 218	8 208 218
Total changes	8 208 218	8 208 218
Opening balance as previously reported	892 546 807	892 546 807
Adjustments		
Prior year adjustments refer to note 43	(3 550 237)	(3 550 237)
Restated* Balance at 01 July 2014 as restated*	**888 996 570**	**888 996 570**
Changes in net assets		
Surplus for the year	42 848 926	42 848 926
Total changes	42 848 926	42 848 926
Balance at 30 June 2015	**931 845 496**	**931 845 496**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies		126 631 800	108 715 700
Services		40 148 372	36 911 714
Rental income		123 685	158 352
Interest income		4 957 914	228 091
Property rates		25 771 581	29 830 569
Other income	21	15 845 322	13 186 415
		213 478 674	189 030 841
Payments			
Employee costs		(63 291 245)	(57 695 478)
Suppliers		(68 524 465)	(83 796 014)
Finance costs		(1 785 276)	(1 057 686)
		(133 600 986)	(142 549 178)
Total receipts		213 478 674	189 030 841
Total payments		(133 600 986)	(142 549 178)
Net cash flows from operating activities	37	**79 877 688**	**46 481 663**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(46 224 425)	(32 181 626)
Increase in deposits		(159 638)	(100 926)
Net cash flows from investing activities		**(46 384 063)**	**(32 282 552)**
Cash flows from financing activities			
Finance lease payments		(1 573 670)	5 957 595
Net increase/(decrease) in cash and cash equivalents		**31 919 955**	**4 223 130**
Cash and cash equivalents at the beginning of the year		49 661 840	45 438 710
Cash and cash equivalents at the end of the year	3	**81 581 795**	**49 661 840**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	48 661 458	-	**48 661 458**	40 148 372	**(8 513 086)**	51.1
Rental income	197 661	-	**197 661**	123 685	**(73 976)**	
Licences and permits	22 227 638	(10 420 000)	**11 807 638**	11 192 463	**(615 175)**	
Other income	4 671 046	(1 468 622)	**3 202 424**	15 845 322	**12 642 898**	51.2
Interest received	4 827 856	2 320 778	**7 148 634**	4 957 914	**(2 190 720)**	51.3
Total revenue from exchange transactions	**80 585 659**	**(9 567 844)**	**71 017 815**	**72 267 756**	**1 249 941**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 204 926	10 046 352	**25 251 278**	25 771 581	**520 303**	
Transfer revenue						
Government grants and subsidies	126 497 000	-	**126 497 000**	122 466 287	**(4 030 713)**	51.4
Fines	635 169	100 000	**735 169**	1 868 179	**1 133 010**	51.5
Total revenue from non-exchange transactions	**142 337 095**	**10 146 352**	**152 483 447**	**150 106 047**	**(2 377 400)**	
'Total revenue from exchange transactions'	80 585 659	(9 567 844)	**71 017 815**	72 267 756	**1 249 941**	
'Total revenue from non-exchange transactions'	142 337 095	10 146 352	**152 483 447**	150 106 047	**(2 377 400)**	
Total revenue	**222 922 754**	**578 508**	**223 501 262**	**222 373 803**	**(1 127 459)**	
Expenditure						
Employee related costs	(50 777 019)	(3 215 567)	**(53 992 586)**	(52 947 790)	**1 044 796**	
Remuneration of councillors	(10 156 093)	259 451	**(9 896 642)**	(10 343 455)	**(446 813)**	
Depreciation and amortisation	(26 500 000)	(13 500 000)	**(40 000 000)**	(40 721 576)	**(721 576)**	
Finance costs	(3 360 200)	1 455 000	**(1 905 200)**	(2 042 079)	**(136 879)**	
Debt impairment	(636 000)	(5 364 000)	**(6 000 000)**	(3 642 384)	**2 357 616**	
Repairs and maintenance	(33 450 463)	8 316 742	**(25 133 721)**	(8 157 967)	**16 975 754**	
Bulk purchases	(23 827 855)	(145 000)	**(23 972 855)**	(23 580 252)	**392 603**	
Contracted services	(2 996 446)	(1 318 196)	**(4 314 642)**	(4 071 247)	**243 395**	
Grants and subsidies paid	(2 334 074)	628 601	**(1 705 473)**	(1 587 562)	**117 911**	
General expenses	(31 940 005)	(21 783 396)	**(53 723 401)**	(38 360 632)	**15 362 769**	
Total expenditure	**(185 978 155)**	**(34 666 365)**	**(220 644 520)**	**(185 454 944)**	**35 189 576**	
	222 922 754	578 508	**223 501 262**	222 373 803	**(1 127 459)**	
	(185 978 155)	(34 666 365)	**(220 644 520)**	(185 454 944)	**35 189 576**	
Operating surplus	**36 944 599**	**(34 087 857)**	**2 856 742**	**36 918 859**	**34 062 117**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 305 664)	**(1 305 664)**	
Fair value adjustments	-	-	**-**	4 039 200	**4 039 200**	
Actuarial gains/losses	-	-	**-**	3 196 530	**3 196 530**	
	-	**-**	**-**	**5 930 066**	**5 930 066**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
	36 944 599	(34 087 857)	**2 856 742**	36 918 859	**34 062 117**	
	-	-	**-**	5 930 066	**5 930 066**	
Surplus before taxation	**36 944 599**	**(34 087 857)**	**2 856 742**	**42 848 925**	**39 992 183**	
Deficit before taxation	36 944 599	(34 087 857)	**2 856 742**	42 848 925	**39 992 183**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**36 944 599**	**(34 087 857)**	**2 856 742**	**42 848 925**	**39 992 183**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	798 751	**798 751**	
Receivables from exchange transactions	-	-	-	4 660 060	**4 660 060**	
Receivables from non-exchange transactions	-	-	-	16 044 502	**16 044 502**	
VAT receivable	-	-	-	2 467 362	**2 467 362**	
Deposits	-	-	-	260 564	**260 564**	
Cash and cash equivalents	-	-	-	81 581 795	**81 581 795**	
	-	**-**	**-**	**105 813 034**	**105 813 034**	
Non-Current Assets						
Investment property	-	-	-	118 087 200	**118 087 200**	
Property, plant and equipment	63 430 000	(1 690 289)	**61 739 711**	792 771 046	**731 031 335**	
	63 430 000	**(1 690 289)**	**61 739 711**	**910 858 246**	**849 118 535**	
Non-Current Assets	-	-	-	105 813 034	**105 813 034**	
Current Assets	63 430 000	(1 690 289)	**61 739 711**	910 858 246	**849 118 535**	
Total Assets	**63 430 000**	**(1 690 289)**	**61 739 711**	**1 016 671 280**	**954 931 569**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	1 425 253	**1 425 253**	
Payables from exchange transactions	-	-	-	35 895 357	**35 895 357**	
Consumer deposits	-	-	-	1 568 314	**1 568 314**	
Unspent conditional grants and receipts	-	-	-	15 523 874	**15 523 874**	
	-	**-**	**-**	**54 412 798**	**54 412 798**	
Non-Current Liabilities						
Finance lease obligation	-	-	-	3 589 907	**3 589 907**	
Employee benefit obligation	-	-	-	17 351 000	**17 351 000**	
Provisions	-	-	-	9 472 078	**9 472 078**	
	-	**-**	**-**	**30 412 985**	**30 412 985**	
	-	-	-	54 412 798	**54 412 798**	
	-	-	-	30 412 985	**30 412 985**	
	-	-	-	-	**-**	
Total Liabilities	**-**	**-**	**-**	**84 825 783**	**84 825 783**	
Assets	63 430 000	(1 690 289)	**61 739 711**	1 016 671 280	**954 931 569**	
Liabilities	-	-	-	(84 825 783)	**(84 825 783)**	
Net Assets	**63 430 000**	**(1 690 289)**	**61 739 711**	**931 845 497**	**870 105 786**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	63 430 000	(1 690 289)	**61 739 711**	931 845 497	**870 105 786**	

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

2015

Financial Performance

Property rates	15 204 926	10 046 352	25 251 278	-		25 251 278	25 771 581		520 303	102 %	169 %
Service charges	48 661 458	-	48 661 458	-		48 661 458	40 148 372		(8 513 086)	83 %	83 %
Investment revenue	4 827 856	2 320 778	7 148 634	-		7 148 634	4 957 914		(2 190 720)	69 %	103 %
Transfers recognised - operational	126 497 000	-	126 497 000	-		126 497 000	122 466 287		(4 030 713)	97 %	97 %
Other own revenue	27 731 514	(11 788 622)	15 942 892	-		15 942 892	33 068 850		17 125 958	207 %	119 %
Total revenue (excluding capital transfers and contributions)	**222 922 754**	**578 508**	**223 501 262**	**-**		**223 501 262**	**226 413 004**		**2 911 742**	**101 %**	**102 %**
Employee costs	(50 777 019)	(3 215 567)	(53 992 586)	-	-	(53 992 586)	(52 947 790)	-	1 044 796	98 %	104 %
Remuneration of councillors	(10 156 093)	259 451	(9 896 642)	-	-	(9 896 642)	(10 343 455)	-	(446 813)	105 %	102 %
Debt impairment	(636 000)	(5 364 000)	(6 000 000)			(6 000 000)	(3 642 384)	-	2 357 616	61 %	573 %
Depreciation and asset impairment	(26 500 000)	(13 500 000)	(40 000 000)			(40 000 000)	(40 721 576)	-	(721 576)	102 %	154 %
Finance charges	(3 360 200)	1 455 000	(1 905 200)	-	-	(1 905 200)	(2 042 079)	-	(136 879)	107 %	61 %
Materials and bulk purchases	(23 827 855)	(145 000)	(23 972 855)	-	-	(23 972 855)	(23 580 252)	-	392 603	98 %	99 %
Transfers and grants	(2 334 074)	628 601	(1 705 473)	-	-	(1 705 473)	(1 587 562)	-	117 911	93 %	68 %
Other expenditure	(68 386 915)	(1 901 880)	(70 288 795)	-	-	(70 288 795)	(51 895 510)	-	18 393 285	74 %	76 %
Total expenditure	**(185 978 156)**	**(21 783 395)**	**(207 761 551)**	**-**	**-**	**(207 761 551)**	**(186 760 608)**	**-**	**21 000 943**	**90 %**	**100 %**
Total revenue (excluding capital transfers and contributions)	222 922 754	578 508	223 501 262	-	-	223 501 262	226 413 004	-	2 911 742	101 %	102 %
Total expenditure	(185 978 156)	(21 783 395)	(207 761 551)	-	-	(207 761 551)	(186 760 608)	-	21 000 943	90 %	100 %
Surplus/(Deficit)	**36 944 598**	**(21 204 887)**	**15 739 711**	**-**		**15 739 711**	**39 652 396**		**23 912 685**	**252 %**	**107 %**
Surplus/(Deficit)	36 944 598	(21 204 887)	15 739 711	-	-	15 739 711	39 652 396	-	23 912 685	252 %	107 %
Surplus (Deficit) after capital transfers and contributions	36 944 598	(21 204 887)	15 739 711	-	-	15 739 711	39 652 396	-	23 912 685	252 %	107 %
Surplus/(Deficit) for the year	**36 944 598**	**(21 204 887)**	**15 739 711**	**-**		**15 739 711**	**39 652 396**		**23 912 685**	**252 %**	**107 %**

Capital Expenditure and Funds Sources

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash Flows											
Net cash from (used) operating	-	-	-	-		-	79 877 688		79 877 688	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(46 384 063)		(46 384 063)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(1 573 670)		(1 573 670)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**31 919 955**		**31 919 955**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	49 661 840		49 661 840	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	-	-	-	-	-	-	31 919 955	-	(31 919 955)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	49 661 840	-	(49 661 840)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**81 581 795**		**(81 581 795)**	**DIV/0 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				29 830 571
Service charges				36 911 714
Investment revenue				228 091
Transfers recognised - operational				97 043 498
Other own revenue				21 303 143
Total revenue (excluding capital transfers and contributions)				**185 317 017**
Employee costs	-	-	-	(47 815 515)
Remuneration of councillors	-	-	-	(9 879 963)
Debt impairment	-	-	-	(6 207 420)
Depreciation and asset impairment	-	-	-	(37 960 565)
Finance charges	-	-	-	(1 432 117)
Materials and bulk purchases	-	-	-	(21 544 525)
Transfers and grants	-	-	-	(1 173 633)
Other expenditure	-	-	-	(47 529 061)
Total expenditure	**-**	**-**	**-**	**(173 542 799)**
Total revenue (excluding capital transfers and contributions)	-	-	-	185 317 017
Total expenditure	-	-	-	(173 542 799)
Surplus/(Deficit)				**11 774 218**
Surplus/(Deficit)	-	-	-	11 774 218
Surplus (Deficit) after capital transfers and contributions	-	-	-	11 774 218
Surplus/(Deficit) for the year				**11 774 218**

Captial Expenditure and Funds Sources

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash Flows				
Net cash from (used) operating				46 481 663
Net cash from (used) investing				(32 282 552)
Net cash from (used) financing				5 957 595
Net increase/(decrease) in cash and cash equivalents				**20 156 706**
Net increase / (decrease) in cash and cash equivalents	-	-	-	20 156 706
Cash and cash equivalents at year end				**20 156 706**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a GRAP standard.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	20 - 30 years
Plant and machinery	3 - 10 years
Motor vehicles	5 years
Office equipment	4 - 6 years
Infrastructure	2 - 100 years
Community	5 - 25 years
Landfill site	2 - 100 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Accounting Policies

1.6 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabiliites initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.8 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Statutory receivables

Statutory receivables are receivables that:
- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

1.12 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the defnition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been inccurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit wihtin operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.13 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.16 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest are recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are not recognised.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 42 for detail.

1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ''allocation'' otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 39.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:
- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:
- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

2. New standards and interpretations (continued)

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	59 181 948	28 466 146
Call Account	22 399 847	21 195 694
	81 581 795	**49 661 840**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Cheque account - 5295 002 0208	6 872 361	16 756 404	8 928 282	8 145 394	16 756 404	6 455 290
First National Bank -Cheque account - 6205 7590 0393	-	-	32 885	32 503	32 503	-
ABSA Bank - Cheque Account - 4079 367 427	43 282 557	11 677 241	44 153 205	51 004 050	11 677 241	25 942 024
Nedbank - Call Account - 03 / 7881098821 / 000002	22 399 847	21 195 694	-	22 399 847	21 195 694	-
Total	**72 554 765**	**49 629 339**	**53 114 372**	**81 581 795**	**49 661 840**	**32 397 314**

4. Deposits

Eskom A security deposit is held by Eskom who is the bulk electricity supplier of the municipality.	260 564	100 926

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from exchange transactions

Electricity	2 926 808	989 380
Refuse	373 761	888 199
Other (including interest)	1 359 492	3 457 230
	4 660 061	**5 334 809**

Gross balances		
Electricity	3 869 469	2 640 679
Refuse	1 225 304	2 370 623
Other (including interest)	9 082 814	9 227 428
	14 177 587	**14 238 730**
Less : Allowance for impairment		
Electricity	(942 661)	(1 651 299)
Refuse	(851 543)	(1 482 424)
Other (including interest)	(7 723 322)	(5 770 198)
	(9 517 526)	**(8 903 921)**
Net Balance		
Electricity	2 926 808	989 380
Refuse	373 761	888 199
Other including interest	1 359 492	3 457 230
	4 660 061	**5 334 809**
Electricity		
Current (0-30 days)	2 508 423	1 664 350
31-60 days	170 489	74 735
61-90 days	127 443	38 989
> 90 days	1 063 114	862 605
Less : Allowance for impairment	(942 661)	(1 651 299)
	2 926 808	**989 380**
Refuse		
Current (0-30 days)	215 564	231 906
31-60 days	73 869	55 661
61-90 days	85 346	50 159
> 90 days	850 525	2 032 897
Less : Allowance for impairment	(851 543)	(1 482 424)
	373 761	**888 199**
Other (including interest)		
Current (0-30 days)	728 309	1 851 066
31-60 days	323 347	378 646
61-90 days	318 316	345 735
> 90 days	7 712 842	6 651 981
Less : Allowance for impairment	(7 723 322)	(5 770 198)
	1 359 492	**3 457 230**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, no receivables from exchange transactions (2014: R nil) were past due but not impaired.

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 14 177 587 (2014: R 14 238 730) were impaired and provided for.

The amount of the provision was R 9 517 526 as of 30 June 2015 (2014: R 8 903 921).

6. Receivables from non exchange transactions

	2015	2014
Rates	30 085 540	25 434 431
Fines	2 015 031	743 530
Gross balances		
	32 100 571	**26 177 961**
Less: Allowance for impairment		
Rates	(14 458 914)	(15 904 941)
Fines	(1 597 154)	(579 953)
	(16 056 068)	**(16 484 894)**
Net balance		
Rates	15 626 626	9 529 490
Fines	417 877	163 577
	16 044 503	**9 693 067**
Fines		
Current (0-30 days)	104 500	47 500
31-60 days	59 750	38 500
61-90 days	108 000	55 200
> 90 days	1 742 781	602 330
Less : Allowance for impairment	(1 597 154)	(579 953)
	417 877	**163 577**
Net balance	**-**	**-**
Rates from non exhange transactions		
Current (0-30 days)	2 756 976	3 750 560
31 - 60 days	1 225 780	1 274 519
61 - 90 days	1 203 337	1 216 252
> 90 days	24 899 447	19 193 101
Less : Allowance for impairment	(14 458 914)	(15 904 941)
	15 626 626	**9 529 491**

Figures in Rand	2015	2014

6. Receivables from non exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	2 283 810	2 546 891
31 - 60 days	524 115	574 360
61 - 90 days	511 290	510 741
> 90 days	11 677 665	9 713 238
	14 996 880	13 345 230
Less: Allowance for impairment	(8 212 906)	(8 548 625)
	6 783 974	**4 796 605**
Industrial/ commercial		
Current (0 -30 days)	3 818 589	4 755 864
31 - 60 days	1 245 396	1 150 402
61 - 90 days	1 212 629	1 085 100
> 90 days	22 507 818	18 392 435
	28 784 432	25 383 801
Less: Allowance for impairment	(15 763 534)	(16 260 237)
	13 020 898	**9 123 564**
National and provincial government		
Current (0 -30 days)	106 873	195 126
31 - 60 days	23 973	58 798
61 - 90 days	10 521	55 294
91 - 120 days	340 446	634 911
	481 813	**944 129**
Total		
Current (0 -30 days)	6 209 272	7 497 881
31 - 60 days	1 793 485	1 783 561
61 - 90 days	1 734 440	1 651 134
> 90 days	30 283 746	23 569 352
	40 020 943	34 501 928
Less: Allowance for impairment	(23 976 440)	(24 808 861)
	16 044 503	**9 693 067**
Reconciliation of allowance for impairment (excluding fines)		
Balance at beginning of the year	16 484 894	10 277 474
Contributions to allowance	-	5 627 467
Reversal of allowance	(832 421)	-
Reconciliation of allowance of impairment (fines)		
Balance at the beginning of the year	579 953	-
Contributions to allowance	1 017 201	579 953
	16 056 068	**16 484 894**

Consumer debtors pledged as security

No consumer debtors were pledged as security

Credit quality of receivables from non exchange transactions

The credit quality of receivables from non exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

6. Receivables from non exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Receivables from non exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, no receivables from exchange transactions (2014: R nil) were past due but not impaired

7. VAT receivable

	2015	2014
VAT Receivable	2 467 362	4 359 057

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from receivable. All VAT returns were submitted throughout the year

8. Inventories

	2015	2014
Consumables	798 751	689 236

Inventory pledged as security

No inventory was pledged as security for the years ended 30 June 2014 and 2015

9. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	118 087 200	-	118 087 200	114 048 000	-	114 048 000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	114 048 000	4 039 200	118 087 200

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	107 329 000	6 719 000	114 048 000

Pledged as security

None of the above investment property have been pledged as security.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal

The municipality does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as at the end of the period under review

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2015	2014

9. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mr Lourens Nel (professional valuator - 4464/2) (SACPVP) (SAIV), of Uniqueco Properties (Pty) Ltd. Uniqueco Properties (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuations were based on the land and improvement value methodology, referring to the costing approach i.e. the replacement value less provisional depreciation for improvements plus land value. Both the land and building costing were based on comparable data and statistical analyses.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 755 019	-	3 755 019	3 755 019	-	3 755 019
Buildings	33 126 335	(7 076 767)	26 049 568	33 126 335	(5 972 556)	27 153 779
Plant and machinery	35 130 378	(18 352 068)	16 778 310	29 571 329	(15 094 980)	14 476 349
Motor vehicles	6 045 397	(3 704 790)	2 340 607	6 045 397	(2 903 735)	3 141 662
Office equipment	8 259 960	(6 478 763)	1 781 197	8 204 987	(5 786 341)	2 418 646
IT equipment	2 137 693	(1 310 241)	827 452	2 015 483	(942 472)	1 073 011
Infrastructure	882 786 389	(187 143 060)	695 643 329	850 978 799	(155 253 176)	695 725 623
Community	19 252 222	(2 280 806)	16 971 416	19 252 222	(1 485 321)	17 766 901
Landfill site	7 514 786	(3 081 417)	4 433 369	6 833 807	(2 853 623)	3 980 184
Work in Progress	18 270 324	-	18 270 324	11 986 699	-	11 986 699
Leased assets	8 112 668	(2 192 214)	5 920 454	8 112 668	(1 016 680)	7 095 988
Total	**1 024 391 171**	**(231 620 126)**	**792 771 045**	**979 882 745**	**(191 308 884)**	**788 573 861**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3 755 019	-	-	-	-	3 755 019
Buildings	27 153 779	-	-	-	(1 104 212)	26 049 567
Plant and machinery	14 476 349	5 559 048	-	-	(3 257 087)	16 778 310
Motor vehicles	3 141 662	-	-	-	(801 055)	2 340 607
Office equipment	2 418 647	54 972	-	-	(692 422)	1 781 197
IT equipment	1 073 011	122 210	-	-	(367 769)	827 452
Infrastructure	695 725 623	-	(1 305 664)	33 523 591	(32 300 220)	695 643 330
Community	17 766 901	-	-	-	(795 485)	16 971 416
Landfill site	3 980 184	680 979	-	-	(227 793)	4 433 370
Work in Progress	11 986 699	39 807 216	-	(33 523 591)	-	18 270 324
Leased assets	7 095 988	-	-	-	(1 175 534)	5 920 454
	788 573 862	**46 224 425**	**(1 305 664)**	**-**	**(40 721 577)**	**792 771 045**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Capital under construction	Transfers	Depreciation	Total
Land	3 755 019	-	-	-	-	3 755 019
Buildings	28 257 990	-	-	-	(1 104 211)	27 153 779
Plant and machinery	6 834 865	9 573 311	-	-	(1 931 827)	14 476 349
Motor vehicles	1 765 184	1 922 796	-	-	(546 318)	3 141 662
Office equipment	1 864 399	1 144 733	-	-	(590 485)	2 418 647
IT equipment	611 086	704 660	-	-	(242 735)	1 073 011
Infrastructure	709 196 467	-	-	18 352 883	(31 823 727)	695 725 623
Community	7 797 220	8 580 714	-	1 937 179	(548 212)	17 766 901
Landfill site	1 993 809	2 142 744	-	-	(156 369)	3 980 184
Work in Progress	19 635 673	-	12 641 088	(20 290 062)	-	11 986 699
Leased assets	-	8 112 668	-	-	(1 016 680)	7 095 988
	781 711 712	**32 181 626**	**12 641 088**	**-**	**(37 960 564)**	**788 573 861**

Figures in Rand	2015	2014

10. Property, plant and equipment (continued)

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Assets subject to finance lease (Net carrying amount)

Vehicles and heavy machinery	5 920 454	7 095 988

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Payables from exchange transactions

Trade payables	18 407 261	9 307 388
Accrued leave pay	5 129 593	4 227 833
Accrued bonus	1 190 377	1 126 971
Operating lease payables	-	52 530
Retentions	5 269 432	4 714 252
Credit balances on receivables	2 043 265	1 122 677
Sekhukhune creditor	-	12 564 383
Other creditors	104 492	121 891
Unallocated payments	2 458 758	2 458 758
Unallocated receipts	1 292 181	1 292 181
	35 895 359	**36 988 864**

12. Consumer deposits

Rates	1 568 314	1 620 351

13. Finance lease obligation

Minimum lease payments due		
- within one year	1 775 951	1 775 951
- in second to fifth year inclusive	3 929 244	5 705 195
	5 705 195	7 481 146
less: future finance charges	(690 035)	(1 149 120)
Present value of minimum lease payments	**5 015 160**	**6 332 026**

Present value of minimum lease payments due		
- within one year	1 425 253	1 316 866
- in second to fifth year inclusive	3 589 907	5 015 160
	5 015 160	**6 332 026**

Non-current liabilities	3 589 907	5 015 160
Current liabilities	1 425 253	1 316 866
	5 015 160	**6 332 026**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 4-5 years and the average effective borrowing rate was 8% (2014: 8%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

Figures in Rand	2015	2014

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	10 147 145	7 135 263
Municipal system improvement grant	1 292 103	519 847
Financial management grant	289 882	222 306
Energy efficiency and demand side grant	3 777 631	3 777 631
Expanded public work programme grant	17 114	17 114
	15 523 875	**11 672 161**

Movement during the year

Balance at the beginning of the year	11 672 161	-
Additions during the year	34 883 000	31 566 700
Income recognition during the year	(31 031 287)	(19 894 539)
	15 523 875	**11 672 161**

Also refer to note 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	8 608 823	680 979	182 276	9 472 078

Reconciliation of provisions - 2014

	Opening Balance	Additions	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	6 331 393	2 142 744	134 686	8 608 823

This valuation was performed by Mr Seakle Godschalk Pr Sci Nat and Dr Maryna Möhr-Swart, both partners in Environmental & Sustainability Solutions (ESS). ESS is a boutique consultancy focusing on all aspects of environmental and sustainability accounting.
Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists. He holds a Master's degree in Science as well as a Master's degree in Accounting.
Dr Möhr-Swart holds an MBA as well as a D Tech. For the latter she developed an Environmental Management Accounting model for the mining industry. She was a member of the United Nations expert workgroup that developed an International Guidance Document: Environmental Management Accounting that was published by the International Federation of Accountants (IFAC) in 2005.
Both members represent South Africa on the International Standards Organisation workgroup for the development of standards on Material Flow Cost Accounting (MFCA). They developed an environmental management accounting system for Gold Fields. For the Department of Defence, they developed the Environmental Liability Costing Model to estimate the rehabilitation costs of military training areas. On their own initiative they developed the General Landfill Closure Costing Model (GLCCM) that formed the basis for this valuation.

Environmental rehabilitation provision

The environment rehabilitation provision relates to the decomissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

Major uncertainties surround the final decommisioning and rehabilitation costs at the end of the useful life and the remaining useful life of the landfill site. The current undiscounted amount at the end of the useful life is estimated as R13 249 222 and the the current remaining useful life is estmated as 11 years.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Provisions (continued)

No reimbursement for the rehabilitation of the landfill site will be received

16. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(13 174 000)	(13 683 000)
Present value of long service awards obligation	(4 177 000)	(4 559 000)
	(17 351 000)	**(18 242 000)**

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Opening balance	13 683 000	10 780 000
Net expense recognised in the statement of financial performance	(509 000)	2 903 000
	13 174 000	**13 683 000**

Net expense of the defined benefit obligation recognised in the statement of financial performance

	2015	2014
Current service cost	543 000	610 000
Interest cost	1 235 000	774 000
Actuarial (gains) losses	(2 287 000)	1 519 000
	(509 000)	**2 903 000**

Changes in the present value of the long service award obligation are as follows:

	2015	2014
Opening balance	4 559 000	2 129 000
Benefits paid	(174 470)	-
Net expense recognised in the statement of financial performance	(207 530)	2 430 000
	4 177 000	**4 559 000**

Net expense of the long service awards obligation recognised in the statement of financial performance

	2015	2014
Current service cost	334 000	234 000
Interest cost	368 000	149 000
Actuarial (gains)/ losses	(909 530)	2 047 000
	(207 530)	**2 430 000**

Figures in Rand	2015	2014

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Post retirement medical aid	9.35 %	8.94 %
Consumer price inflation - Post retirement medical aid	6.89 %	7.05 %
Health care cost inflation	8.39 %	8.05 %
Discount rate - Long service award	8.36 %	7.96 %
Consumer price inflation - Long service award	6.06 %	6.30 %
Salary increase rate	7.06 %	7.33 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	332 000	(323 000)
Effect on defined benefit obligation	1 675 000	(2 026 000)

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	13 174 000	13 683 000	10 780 000	7 409 162	5 683 162
Long service awards obligation	4 177 000	4 559 000	2 129 118	1 895 118	1 538 118

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

17. Service charges

Sale of electricity	36 767 744	33 997 868
Refuse removal	3 380 627	2 913 846
	40 148 371	**36 911 714**

18. Rental income

Facilities and equipment	123 685	158 352
Premises	-	-
Garages and parking	-	-
Facilities and equipment	123 685	158 352

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

19. Investment revenue

Interest revenue		
Interest charged on Eskom deposits	12 348	-
Interest on cash and cash equivalents	2 430 686	1 957 993
Interest on outstanding receivable balances	2 514 879	(1 729 902)
	4 957 913	**228 091**
	-	-
	4 957 913	228 091

20. Licences and permits

Licences and permits	11 192 463	9 888 761

21. Other revenue

Other income	15 845 322	3 297 654

Major components of other income include departmental fees and sale of tender documents

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Claims for skills development	69 551	366 302
Departmental fees	1 664 828	1 571 298
Reversal of allowance for doubtful debts	832 421	-
Sales of tender documents	409 350	201 080
Sekhukhune Commission on Water Sales	-	971 888
Write off of Sekhukune creditor balance	12 564 383	-
Other	197 516	187 086
	15 845 322	**3 297 654**

22. Property rates

Rates received

Residential	8 042 159	9 560 155
Commercial	7 644 544	8 446 678
State	187 355	216 180
Municipal	(99 705)	178 728
Small holdings and farms	9 977 062	11 373 544
Other	20 166	55 287
	25 771 581	**29 830 572**

Valuations

Residential	985 773 000	985 773 000
Commercial	434 428 200	-
	1 420 201 200	**985 773 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a month to month basis.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. Government grants and subsidies

Operating grants		
Equitable share	91 435 000	77 149 000
Financial management grant	1 532 424	1 327 694
Municipal system improvement program grant	161 744	370 153
Energy efficiency and demand side grant	-	1 222 069
Municipal infrastructure grant	28 058 119	15 991 737
Expanded public works programme grant	1 279 000	982 846
	122 466 287	97 043 499
	122 466 287	**97 043 498**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	31 031 287	18 911 653
Unconditional grants received	91 435 000	77 149 000
	122 466 287	**96 060 653**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grant

Balance unspent at beginning of year	7 135 263	-
Current - year receipts	31 070 000	23 127 000
Conditions met - transferred to revenue	(28 058 118)	(15 991 737)
	10 147 145	**7 135 263**

Conditions still to be met - remain liabilities (see note 14).

The grant is intended to assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy

Conditions still to be met relate to unspent amounts on the following projects:
- Upgrading of Puleng road
- Upgrading of Matilu road
- Makgatle A&B internal road
- Leeufontein internal streets
- Elandskraal internal road
- Letebejane internal road

Municipal system improvement programme grant

Balance unspent at beginning of year	519 847	-
Current - year receipts	934 000	890 000
Conditions met - transferred to revenue	(161 744)	(370 153)
	1 292 103	**519 847**

Conditions still to be met - remain liabilities (see note 14).

Figures in Rand	2015	2014

23. Government grants and subsidies (continued)

The grant is intended to assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy

Financial management grant

Balance unspent at beginning of year	222 306	-
Current - year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 532 424)	(1 327 694)
	289 882	**222 306**

Conditions still to be met - remain liabilities (see note 14).

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Energy efficiency and demand side grant

Balance unspent at beginning of year	3 777 631	-
Current - year receipts	-	4 999 700
Conditions met - transferred to revenue	-	(1 222 069)
	3 777 631	**3 777 631**

Conditions still to be met - remain liabilities (see note 14).

The grant is intended to fund energy efficient lighting technologies in municipal buildings, streets and traffic lighting infrastructure.

Expanded public works programme grant

Balance unspent at beginning of year	17 114	-
Current - year receipts	1 279 000	1 000 000
Conditions met - transferred to revenue	(1 279 000)	(982 886)
	17 114	**17 114**

Conditions still to be met - remain liabilities (see note 14).

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

24. Fines

Fines		
Traffic Fines	1 541 950	906 050
Meter tampering fines	326 229	333 326
	1 868 179	**1 239 376**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. Employee related costs

Basic	31 836 760	29 658 260
Bonus	3 677 901	3 913 258
Medical aid - company contributions	1 994 205	1 854 502
UIF	279 705	268 333
Other payroll levies	17 018	16 193
Group life insurance	85 553	70 965
Standby allowance	340 707	310 912
Short term benefit	468 362	316 642
Other short term costs	12 000	6 000
Defined contribution plans	6 378 457	5 995 989
Overtime payments	1 389 132	1 057 222
Car allowance	2 689 583	2 341 090
Housing benefits and allowances	82 481	80 304
Seta levies	462 814	430 573
Travel and accomodation	3 233 111	1 495 273
	52 947 789	**47 815 516**

Remuneration of Municipal Manager : Mathebela MM

Annual remuneration	141 674	-
Travel allowance	37 377	-
Other allowances	15 751	-
Contributions to UIF, medical and pension funds	18 219	-
	213 021	**-**

Mrs MM Mathebela was appointed to position of Municipal Manager on 1 April 2015

Remuneration of Acting Municipal Manager: Mashamba NS

Annual remuneration	29 807	-
Travel allowance	16 703	-
Other allowances	15 792	-
Back pay	66 815	-
	129 117	**-**

Mr NS Mashamba acted as municipal manager for the period 1 April 2014 to 31 March 2015. He received all his remuneration and backpay in the 2014/2015 financial year

Remuneration of Chief Financial Officer: Ramosibi KA

Annual remuneration	580 464	46 020
Travel allowance	14 205	-
Other allowances	52 220	3 881
Back pay	10 988	-
Contributions to UIF, medical and pension funds	71 719	-
Performance bonuses	-	5 687
	729 596	**55 588**

Ms KA Ramosibi was appointed as Chief Financial Officer on 1 June 2014.

Figures in Rand	2015	2014

25. Employee related costs (continued)

Remuneration of Acting Chief Financial Officer: Mohaudi R

Annual remuneration	-	275 953
Travel allowance	-	170 112
Other allowances	-	52 466
Acting Allowance	-	88 871
Contributions to UIF, medical and pension funds	-	25 522
	-	**612 924**

Mr R Mohaudi acted as CFO for the period from 1 June 2013 to 31 May 2014.

Remuneration of Director Corporate Services: Lekola MJ

Annual remuneration	574 221	544 352
Travel allowance	11 890	12 141
Other allowances	56 898	53 498
Back pay	8 388	-
Contributions to UIF, medical and pension funds	87 656	83 409
Performance bonuses	33 739	31 594
	772 792	**724 994**

Remuneration of Director Technical Services: Monakedi ME

Annual remuneration	672 517	432 201
Travel allowance	161 923	102 759
Other allowances	53 106	20 497
Back pay	13 865	-
Contributions to UIF, medical and pension funds	71 719	45 496
Performance bonuses	33 739	-
	1 006 869	**600 953**

Remuneration of Director Community Services: Mathebela MM

Annual remuneration	216 323	-
Travel allowance	43 968	-
Other allowances	20 804	-
Contributions to UIF, medical and pension funds	36 438	-
	317 533	**-**

Mrs MM Mathebela was appointed to the position of Director Community Services on 1 October 2014 and was employed as such until 31 March 2015.

Remuneration of Director Community: Makopo LM

Annual remuneration	-	359 652
Travel allowance	-	58 197
Other allowances	-	173 810
Contributions to UIF, medical and pension funds	-	44 216
Performance bonuses	-	33 753
	-	**669 628**

Mr LM Makopo's employment contract expired on 31 March 2014

Figures in Rand	2015	2014

25. Employee related costs (continued)

Acting Municipal Managers during the 2013/2014 and 2014/2015

During the 2013/2014 and 2014/2015 financial years, PJ Phahlamohlaka acted as Municipal Manager for the period 23 Augusut 2013 to 20 February 2014

26. Remuneration of councillors

	2015	2014
Executive Major	744 660	716 352
Chief whip	589 990	569 044
Speaker	636 994	249 650
Executive councillors	2 427 530	1 494 757
Councillors	5 944 281	6 850 160
	10 343 455	**9 879 963**

In-kind benefits

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Employees:
The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

Remuneration of Councillors:
The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

2015	Annual remuneratio n	Travel allowance	Other allowances	Back pay	Pension	Total
Executive Mayor						
MMakola MY	438 596	171 998	28 865	24 370	80 831	744 660
Chief Whip						
Ratau MF	438 596	26 390	27 428	16 745	80 831	589 990
Speaker						
Modisha LB	350 877	180 031	27 678	13 743	64 665	636 994
	1 228 069	**378 419**	**83 971**	**54 858**	**226 327**	**1 971 644**

26. Remuneration of councillors (continued)

2014	Annual remuneration	Travel allowance	Other allowances	Back pay	Pension	Total
Executive Mayor						
MMakola MY	420 111	164 749	38 526	18 829	74 137	716 352
Chief Whip						
Ratau MF	420 111	32 555	25 438	16 803	74 137	569 044
Speaker						
Modisha LB	134 436	60 122	18 678	12 691	23 724	249 651
	974 658	**257 426**	**82 642**	**48 323**	**171 998**	**1 535 047**

2015 Executive Councillors	Annual remuneration	Travel allowance	Other allowances	Back pay	Pension	Total
Mahlobogoane ST	400 966	86 312	27 387	12 148	74 095	600 908
Makitla TS	241 228	6 076	25 486	7 994	44 457	325 241
Matlala MF	328 947	145 987	27 399	12 911	60 623	575 867
Monyamane EM	328 947	166 072	27 443	17 602	60 623	600 687
Phefadi MG	180 921	76 574	25 523	8 466	33 343	324 827
	1 481 009	**481 021**	**133 238**	**59 121**	**273 141**	**2 427 530**

2015 Councillors	Annual remuneration	Travel allowance	Other allowances	Back pay	Pension	Total
Bogopa JH	140 351	46 557	24 882	5 352	25 866	243 008
Chauke S	140 351	41 280	24 882	5 352	25 866	237 730
Esson BA	175 438	-	24 877	5 077	32 332	237 726
Kekana KN	140 351	67 550	24 991	10 565	25 866	269 322
Kekana MM	140 351	51 092	24 882	5 352	25 866	247 542
Bokaba HS	140 351	41 280	24 882	5 352	25 866	237 730
Mabaso WM	140 351	54 343	23 925	10 044	25 866	254 528
Makanyane GN	140 351	41 280	24 882	5 352	25 866	237 730
Mamogobo SC	140 351	55 513	24 882	5 352	25 866	251 963
Mampane NZ	43 211	-	6 428	-	7 626	57 265
Mashego BG	140 351	60 384	25 932	5 352	25 866	257 885
Mokonyane MJ	175 438	-	24 877	5 077	32 332	237 726
Molotshwa FK	175 438	-	24 919	5 077	32 332	237 767
Morwaswi ME	140 351	46 542	24 882	5 352	25 866	242 993
Mothwa NM	131 490	-	18 511	3 385	24 249	177 636
Mphahlele LJ	140 351	46 971	24 926	10 044	25 866	248 157
Nchabeleng MJ	140 351	48 104	24 882	5 352	25 866	244 554
Ndobeni NR	140 351	55 321	24 882	5 352	25 867	251 772
Phala MG	140 351	67 842	24 882	5 352	25 866	264 293
Ranoto P	140 351	47 774	24 882	5 352	25 866	244 225
Sebothoma OE	140 351	43 550	24 882	5 352	25 866	240 001
Sehlola ET	140 351	60 450	24 882	5 352	25 866	256 901
Seoka KM	140 351	62 218	24 933	5 352	25 866	258 719
Seono MR	140 351	65 795	29 353	5 352	25 866	266 718
Tshiguvho EM	140 351	43 940	24 882	5 352	25 866	240 390
Subtotal	3 508 035	1 047 786	602 020	140 253	646 192	5 944 281
	6 217 114	**1 907 228**	**819 229**	**254 230**	**1 145 654**	**10 343 455**

26. Remuneration of councillors (continued)

2014 Executive Councillors	Annual remuneration	Travel allowance	Other allowances	Back pay	Pension	Total
Mahlobogoane ST	145 959	54 098	18 676	12 691	25 757	257 181
Makitla TS	79 221	-	8 800	-	13 980	102 001
Matlala MF	134 436	48 158	18 678	12 691	23 724	237 687
Monyamane EM	315 084	177 511	25 452	16 802	55 603	590 452
Phefadi MG	173 296	69 468	23 642	10 448	30 582	307 436
	847 996	**349 235**	**95 248**	**52 632**	**149 646**	**1 494 757**

2014 Councillors	Annual remuneration	Travel allowance	Other allowances	Back pay	Pension	Total
Bogopa JH	134 436	51 634	18 678	12 691	23 724	241 163
Chauke S	134 436	39 540	18 678	12 691	23 724	229 069
Esson BA	168 045	-	18 673	12 691	29 655	229 064
Kekana KN	336 089	192 998	26 184	17 744	59 310	632 325
Kekana MM	134 436	48 157	18 678	12 691	23 724	237 686
Selamole SS	11 171	-	744	-	-	11 915
Bokaba HS	134 436	39 540	18 678	12 691	23 724	229 069
Mabaso WM	315 084	163 712	25 453	16 802	55 603	576 654
Maibelo MF	56 808	16 715	5 631	-	7 747	86 901
Makanyane GN	134 436	46 073	18 678	12 691	23 724	235 602
Mamogobo SC	134 436	42 104	18 678	12 691	23 724	231 633
Mashego BG	134 436	56 257	18 678	12 691	23 724	245 786
Mokonyane MJ	154 327	-	17 536	10 878	27 234	209 975
Molotshwa FK	99 455	-	13 002	2 881	17 551	132 889
Morwaswi ME	134 436	42 041	18 678	12 691	23 724	231 570
Motsepe JS	11 171	-	742	-	-	11 913
Mphahlele LJ	315 084	160 348	25 453	16 802	55 603	573 290
Nchabeleng MJ	134 436	42 910	18 678	12 691	23 724	232 439
Ndobeni NR	134 436	52 185	18 678	12 691	23 724	241 714
Nzmampane S	154 327	-	17 536	10 878	27 234	209 975
Phala MG	134 436	63 120	18 678	12 690	23 724	252 648
Ranoto P	134 436	44 448	18 678	12 690	23 724	233 976
Sebothoma OE	134 435	47 400	18 678	12 690	23 724	236 927
Sehlola ET	134 435	45 770	18 678	12 690	23 724	235 297
Seoka KM	134 435	46 480	18 678	12 690	23 724	236 007
Seono MR	134 435	64 770	18 678	12 690	23 724	254 297
Shalang LJ	15 360	-	1 194	-	-	16 554
Thabane SM	88 300	-	9 525	10 287	16 643	124 755
Tshiguvho EM	134 435	39 540	18 678	12 690	23 724	229 067
Subtotal	4 010 628	1 345 742	479 199	314 703	699 888	6 850 160
	5 833 281	**1 952 403**	**657 091**	**415 657**	**1 021 531**	**9 879 963**

27. Debt impairment

	2015	2014
Contributions to allowance for impairment	1 017 201	6 207 420
Bad debts written off	2 625 183	-
	3 642 384	**6 207 420**

Figures in Rand	2015	2014

28. Depreciation and amortisation

Property, plant and equipment	40 721 577	37 960 564

29. Finance costs

Finance leases	256 803	374 431
Finance cost - Landfill site	182 276	134 686
Finance costs - Post-retirement medical aid benefits	1 235 000	774 000
Finance costs - Long service awards	368 000	149 000
	2 042 079	**1 432 117**

30. Repairs and maintenance

Repairs and maintenance per class:		
Buildings	2 176 759	3 203 031
Community	1 195 881	776 458
Infrastructure	112 005	456 813
IT Equipment	-	19 786
Motor Vehicles	4 673 322	4 723 955
	8 157 967	**9 180 043**

31. Bulk purchases

Electricity	23 580 252	21 544 525

Electricity losses
For the 2014/2015 financial year, distribution losses on electricity amount 7%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

For the 2013/2014 financial year, distribution losses on electricity amount 6%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

32. Contracted services

Information Technology Services	3 784 558	2 755 342
Specialist Services	286 688	99 577
	4 071 247	**2 854 919**

33. Grants and subsidies paid

Other subsidies		
Indigent	-	17 450
Staff Bursary	164 468	8 020
Free and subsidised services	733 007	690 195
Community Bursary	690 087	457 968
	1 587 562	**1 173 633**
Grants paid to ME's	-	-
Other subsidies	1 587 562	1 173 633

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

34. General expenses

Advertising	427 434	419 906
Asset Reports	1 348 138	1 283 631
Auditors remuneration	2 049 682	2 936 651
Bank charges	250 606	339 035
Cleaning	118 124	87 817
Consumer Connections	108 547	79 780
Conferences and seminars	416 586	690 924
Consulting and professional fees	2 989 168	1 114 220
Consumables	257 286	264 024
Donations	99 651	142 336
Electricity	2 989 306	1 995 533
Entertainment	131 174	132 289
Fuel	29 398	152 140
Grant Expenditure	3 857 775	3 069 420
Housing and building control	1 336	6 469
Insurance	746 729	1 535 544
Internal audit	799 726	461 243
Licenses	7 278 835	5 468 727
Marketing	2 859 996	3 130 870
Medical expenses	543 000	610 000
Motor vehicle expenses	1 187 465	988 414
Operating leases	1 262 625	912 265
Performance management	38 355	695 873
Postage and courier	146 535	112 123
Printing and stationery	501 869	438 001
Promotions	49 526	4 061
Protective clothing	120 650	134 762
Refuse	222 456	174 955
Security (Guarding of municipal property)	4 589 805	3 912 995
Software expenses	95 986	104 426
Staff welfare	43 160	389 316
Sewerage and waste disposal	-	10 831
Strategic planning	132 907	38 027
Subscriptions and membership fees	537 339	510 235
Telephone and fax	869 040	722 366
Training	709 560	729 182
Travel - local	202 493	54 432
Valuation roll and GIS	348 364	307 063
Water	-	69 877
Title deed search fees	-	1 264 336
	38 360 632	**35 494 099**

35. Loss on disposal of assets

Proceeds on disposal of property,plant and equipment	-	-
Property, plant and equipment	(1 305 664)	-
	(1 305 664)	**-**

36. Fair value adjustments

Investment property (Fair value model)	4 039 200	6 719 000

Figures in Rand	2015	2014

37. Cash generated from operations

	2015	2014
Surplus	42 848 926	8 208 218
Adjustments for:		
Depreciation and amortisation	40 721 576	37 960 565
Gain on sale of assets and liabilities	1 305 664	-
Fair value adjustments	(4 039 200)	(6 719 000)
Fair value adjustment - Medical aid actuarial gain (loss)	256 803	374 431
Provision for impairment	3 642 384	6 207 420
Movements in retirement benefit assets and liabilities	(891 000)	18 242 000
Movements in provisions	863 255	8 608 823
Changes in working capital:		
Inventories	(109 514)	(689 236)
Receivables from exchange transactions	674 749	(5 334 809)
Consumer Debtors	(3 642 384)	(6 207 420)
Receivables from non-exchange transactions	(6 351 435)	(9 693 067)
Payables from exchange transactions	(1 093 507)	36 988 864
VAT	1 891 695	(4 359 057)
Unspent conditional grants and receipts	3 851 713	11 672 161
Consumer deposits	(52 037)	1 620 351
	79 877 688	**96 880 244**

38. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	81 581 795	81 581 795
Receivables from exchange transactions	4 660 061	4 660 061
Receivables from non-exchange transactions	16 044 503	16 044 503
Deposits	260 564	260 564
	102 546 923	**102 546 923**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	35 895 359	35 895 359
Consumer deposits	1 568 314	1 568 314
Finance lease obligation	5 015 160	5 015 160
Unspent conditional grants and receipts	15 523 874	15 523 874
Deposits	100 926	100 926
	58 103 633	**58 103 633**

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	49 661 840	49 661 840
Receivables from exchange transactions	5 334 809	5 334 809
Receivables from non-exchange transactions	9 693 067	9 693 067

Figures in Rand	2015	2014

. Financial instruments disclosure (continued)

	64 689 716	**64 689 716**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	36 988 864	36 988 864
Consumer deposits	1 620 351	1 620 351
Finance lease obligation	6 332 026	6 332 026
Unspent conditional grants and receipts	11 672 161	11 672 161
	56 613 402	**56 613 402**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	45 379 764	11 655 047
Total capital commitments		
Already contracted for but not provided for	45 379 764	11 655 047

Authorised operational expenditure

Already contracted for but not provided for		
• Compilation of valuation roll	506 700	-
• Legal investigation services	444 106	-
• Leasing of plant	5 616 040	-
• Security	10 623 960	-
• Training	5 050 000	-
	22 240 806	**-**
Total operational commitments		
Already contracted for but not provided for	22 240 806	-

Total commitments

Total commitments		
Authorised capital expenditure	45 379 764	11 655 047
Authorised operational expenditure	22 240 806	-
	67 620 570	**11 655 047**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	675 439	867 554
- in second to fifth year inclusive	-	675 439
	675 439	**1 542 993**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 4 years. No contingent rent is payable.

Figures in Rand	2015	2014

40. Contingencies

A party is suing the municipality for idle time of equipment that remained inactive on a work site. The party is seeking a settlement of R585 709. The expected outcome of this litigation is unknown to legal council and the municipality at this stage

A defamation of character suit has been instituted against the municipality during the 2014/2015 financial year. The claimant is seeking damages to the value of R2 105 500. Legal council and the municipality are of the opinion that the claimant is unlikely to succeed with his claim.

A service provider was contracted to provide debt collection services on behalf of the municipality The municipality is disputing the amount and refuses to pay the invoice amount of R208 000. As at 30 June 2015, this case was still heading to trial and the possible outcome is not known at this stages

The municiality awarded a contractor a tender for the rehabilitation of the administration block. The contractor submitted an invoice an invoice for the work performed, which the municipality has refused to pay as the amount has already been paid. The parties are still exchanging pleadings at this stage and the possible outcome is still unknown by legal council and the municipality.

Contingent assets

The municipality erroneously paid an amount of R205 000 into the defendant's bank account. He used the money despite being notified not to do so. The defendant has refused to pay back the funds and the municipality has instituted action against. The outcome is unknown.

41. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's report note
Key management	Please refer to note 25
Executive Mayor	Please refer to note 26
Speaker	Please refer to note 26
Chief Whip	Please refer to note 26
Mayoral Committee	Please refer to note 26
Members of management	Refer to note 40

42. Comparative figures

Certain comparative figures have been reclassified.

The reason for reclassification are as follows:
- Statement of financial performance items being incorrectly disclosed in the statement of financial position
- Statement of financial position of items being incorrectly disclosed in the statement of financial performance
- The incorrect amount of credit balances in receivables being taken to payables
- Benefits paid on employee benefits being taken to employee costs
- Long service awards being disclosed incorrectly under provisions instead of employee benefits

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is disclosed in note 43 - Prior period errors.

The effects of the reclassification are as follows:

Statement of Financial Position		
Receivables from exchange transaction	-	(15 829 714)
Receivables from non-exchange transactions	-	7 736 891
Property, plant and equipment	-	9 168 891
Payables from exchange transaction	-	(7 472 313)
Consumer deposits	-	(4 515)
Employee benefit obligation	-	5 290 118
Provisions	-	(2 119 098)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

42. Comparative figures (continued)

Statement of Financial Performance		
Other income	-	(616 025)
Employee related costs	-	(254 000)
Finance costs	-	(923 030)
General expenses	-	10 941 887
Actuarial gains/losses	-	(3 767 000)

43. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Refer to note 42 for details on comparative figures.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Reclassified (note 42)	Restated balance
Revenue				
Service charges	37 243 517	1 523	(333 326)	36 911 714
Rental income	158 352	-	-	158 352
Licenses and permits	9 888 761	-	-	9 888 761
Interest received	(780 735)	1 008 826	-	228 091
Other income	2 944 418	969 261	(616 025)	3 297 654
Property rates	29 830 569	-	-	29 830 571
Government grants and subsidies	96 060 652	-	982 845	97 043 497
Fines	162 520	1 076 856	-	1 239 376
Total revenue	175 508 054	3 056 466	33 494	178 598 016
Expenditure				
Employee related costs	(46 178 097)	383 723	(2 021 141)	(47 815 515)
Remuneration of councillors	(9 398 616)	-	(481 347)	(9 879 963)
Debt impairment	(11 254 934)	5 047 514	-	(6 207 420)
Depreciation and amortisation	(37 785 544)	(175 021)	-	(37 960 565)
Finance costs	(1 298 225)	923 814	(1 057 706)	(1 432 117)
Repairs and maintenance	(6 144 498)	(645 814)	(2 389 731)	(9 180 043)
Bulk purchases	(21 544 525)	-	-	(21 544 525)
Contracted services	(3 516 232)	-	661 313	(2 854 919)
Grants and subsidies paid	(715 665)	-	(457 968)	(1 173 633)
General expenses	(50 866 402)	3 023 530	12 348 773	(35 494 099)
Total expenditure	(188 702 738)	8 557 746	6 602 193	(173 542 799)
Operating surplus / (deficit)	(13 194 684)	8 672 219	9 148 842	4 626 377
Fair value adjustments	6 719 000	-	-	6 719 000
Actuarial gains/(losses)	-	201 000	(3 767 000)	(3 566 000)
Surplus / (deficit) for the year	(6 475 684)	8 873 219	5 381 842	7 779 377

43. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014	Balance as previously reported	Prior period error	Reclassified (note 42)	Restated balance
Assets				
Current Assets				
Cash and cash equivalents	36 652 948	2 324 890	10 684 002	49 661 840
Deposits (security held in advance	100 926	-	-	100 926
Receivables from exchange transactions	6 667 361	7 157 729	(8 490 281)	5 334 809
Receivables from non-exchange transactions	15 563 949	(1 792 539)	(4 078 343)	9 693 067
Inventories	689 236	-	-	689 236
Total current assets	59 674 420	7 690 080	(1 884 622)	65 479 878
Non-current Assets				
Investment property	114 048 000	-	-	114 048 000
Property, plant and equipment	781 894 169	(2 300 200)	9 168 892	788 762 861
VAT Receivable	47 574	4 311 483	-	4 359 057
Total non-current assets	895 989 743	2 011 283	9 168 892	907 169 918
Liabilities				
Current Liabilities				
Payables from exchange transactions	27 212 587	(695 652)	10 471 929	36 988 864
Consumer deposits	1 585 232	-	35 119	1 620 351
Operating lease liability	161 741	-	-	161 741
Finance lease obligation	1 316 866	-	-	1 316 866
Unspent conditional grants and receipts	11 672 161	-	-	11 672 161
Total current liabilities	41 948 587	(695 652)	10 507 048	51 759 983
Non-current Liabilities	Column headin			
Finance lease obligation	5 015 160	-	-	5 015 160
Employee benefit obligation	12 526 162	425 720	5 290 118	18 242 000
Provisions	10 727 941	(20)	(2 119 098)	8 608 823
Total non-current liabilities	28 269 263	425 700	3 171 020	31 865 983
Net Assets				
Accumulated surplus - Opening balance	890 958 479	(10 170 126)	-	880 788 353
Surplus / (deficit) for the year	(6 475 684)	9 302 060	5 381 842	8 208 218
Movements in net assets	963 539	(963 539)	-	-
Total net assets	885 446 334	(1 831 605)	5 381 842	888 996 571

1. Amounts as per trial balance and annual financial statements do not agree

	2015	2014
Increase in cash and cash equivalents	-	1 683 075
Increase in receivables from exchange transactions	-	7 157 729

Figures in Rand	2015	2014

43. Prior period errors (continued)

Decrease in receivables from non-exchange transactions	-	(1 792 539)
Decrease in property, plant and equipment	-	(2 191 617)
Increase in VAT receivable	-	708 408
Decrease in payables from exchange transactions	-	(21 129)
Decrease in provisions	-	(20)
Decrease in accumulated surplus	-	1 960 381
Increase in service charges	-	1 523
Increase in interest received	-	1 008 826
Decrease in other income	-	(5 082)
Decrease in employee related costs	-	151 520
Increase in depreciation	-	100 857
Decrease in finance cost	-	923 814
Increase in general expense	-	60 627
	-	**9 746 373**

Amount as per trial balance and annual financial statements do not agree

The figures used to compile the annual financial statements for the 2013/2014 financial year do not agree to the annual financial statements. This was corrected to bring the annual financial statements in line with the accounting records of the municipality.

The above adjustments did not have any financial on the accounting records of the municipality. This is merely an alignment of the annual financial statements with the Munsoft accounting system as at 30 June 2014.

2. Understatement of VAT receivable

Increase in VAT receivable	-	3 603 076
Increase in cash and bank	-	641 815
Increase in opening accumulated surpls	-	3 279 753
Increase in other income	-	965 138
	-	**8 489 782**

Understatement of VAT receivable

A comparison was done of the VAT receivable to the VAT statement of account from SARS and a difference of R3 603 076 was noted. This was due to a refund not being recorded during the 2013/2014 financial year of R641 815, input tax not being claimed an expenses resulting in an additional refund of R965 138 and errors on VAT submission prior to 30 June 2013.

3. Library membership fees incorrectly treated as a liability

Decrease in payables from exchange transactions	-	(16 519)
Increase in opening accumulated surplus	-	14 064
Increase in other income	-	2 455
	-	**-**

Library membership fees incorrectly treated as a liability

Receipts on library membership fees have been incorrectly accounted for as a refundable during the 2013/2014 and prior financial year. However, this amount is not refundable at any point and should be accounted for as revenue. An amount of R2 455 relates to the 2013/2014 financial year and R14 064 to prior years.

4. Accrual accounts not utilised or reversed in prior periods

Decrease in payables from exchange transactions	-	(224 801)
Increase in opening accumulated surplus	-	224 801
	-	**-**

Figures in Rand	2015	2014

43. Prior period errors (continued)

Accrual accounts not utilised or reversed in prior periods

Review of the 2014/2015 figures revealed accruals that had been raised during the 2011/2012 financial year and not utilised during the 2012/2013 financial year. The accounting treatment of the prior year resulted in opening balances being carried forward and being cleared in the respective periods against the relevant expenses These amounts were cleared in the current year against the accumulated surplus account in the current year. Prior period from 1 July 2010 to 30 June 2012. The total amount of these accounts is R224 801.

5. Benefits paid on long service award incorrectly taken to bonus accrual		
Decrease in payables from exchange transactions	-	(201 000)
Increase in actuarial gains and losses	-	201 000
	-	**-**

Benefits paid on long service award incorrectly taken to bonus accrual

As per the actuarial report for the measurement of the long service award employee benefit, an estimate of employee benefits paid was made to the value of R201 000. The report requires this figure be adjusted to the actual figure. An accrual was raised based on the estimate of benefits paid, however, due to no actual payment occuring, this amount was to be taken to actuarial gains and losses to balance the movement on the long service award for the 2013/2014 financial year as per the actuarial valuation report

6. Correction of bonus accrual as at 30 June 2014		
Decrease in payables from exchange transactions	-	(232 203)
Decrease in employment costs	-	232 203
	-	**-**

Correction of bonus accrual as at 30 June 2014

A recalculation of the bonus accrual as at 30 June 2014 revealed that the amount accrued had been overprovided by R232 203

7. Opening balances on employee benefits are incorrect		
Increase in employee benefit obligation	-	425 720
Decrease in accumulated surplus	-	(425 720)
	-	**-**

Opening balances on employee benefits are incorrect

It was noted that the closing balances for the long service award and the post-retirement medical aid benefit did not agree to the balances as per the actuarial valuation as at 30 June 2014. After reconciling all movements, it was discovered that the opening balances (closing balance for 2012/2013 financial year) had not been adjusted correctly to reflect this balance.

The difference noted was R382 838 on the post-retirement medical aid benefit and R42 822 on the long service award.

8. Incorrect property, plant and equipment figures disclosed in 2013/2014 financial year		
Decrease in property,plant and equipment	-	(108 583)
Decrease in opening accumulated surplus	-	(34 419)
Increase in depreciation	-	(74 164)
	-	**(217 166)**

Figures in Rand	2015	2014

43. Prior period errors (continued)

Incorrect property, plant and equipment figures disclosed in 2013/2014 financial year

The figures as per the disclosure in the annual financial statements did not agree to the fixed asset register as at 30 June 2014. This included both cost (overstated by R1 008 782), accumulated depreciation (overstated by R900 199) and depreciation for the 2013/2014 financial year (understated by R74 164)

9. Correction of straight lining liability as at 30 June 2014

Decrease in Payables from exchange transactions	-	(488 531)
Increase in accumulated surplus	-	312 474
Decrease in Other Expenditure	-	176 057
	-	**-**

Correction of straight lining liability as at 30 June 2014

A re-calculation of the straight lining liability as at 30 June 2014 revealed that the amount was overstated by R488 531. This was due to the 2013/2014 rent expense amount not being correctly straight lined by R176 057 and incorrect straight lining in prior periods to the value of R312 474

44. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

47. Unauthorised expenditure

	2015	2014
Opening balance	97 000 713	35 939 552
Unauthorised expenditure incurred	-	61 061 161
	97 000 713	**97 000 713**

48. Fruitless and wasteful expenditure

	2015	2014
Opening balance	218 389	186 257
Fruitless and wasteful expenditure incurred	362 146	32 132
	580 535	**218 389**

49. Irregular expenditure

	2015	2014
Opening balance	66 441 363	33 158 008
Add: Irregular expenditure - current year	-	33 283 355
	66 441 363	**66 441 363**

Analysis of expenditure awaiting condonation per age classification

	2015	2014
Current year	-	33 283 355
Prior years	66 441 363	33 158 008
	66 441 363	**66 441 363**

Details of irregular expenditure not recoverable (not condoned)

Prior year irregular expenditure	66 441 363

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Current year	500 000	450 000
Amount paid - current year	(500 000)	(450 000)
	-	-

Material losses through criminal conduct

Management is not aware of any material losses though criminal conduct.

Audit fees

	2015	2014
Current year fees	2 049 682	2 936 651
Amount paid - current year	(2 049 682)	(2 936 651)
	-	-

PAYE and UIF

	2015	2014
Current year	6 319 425	5 840 987
Amount paid - current year	(6 319 425)	(5 840 987)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and medical aid deductions

Current year	4 253 414	3 560 199
Amount paid - current year	(4 253 414)	(3 560 199)
	-	-

VAT

VAT receivable	2 467 362	4 359 057

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2015.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council. The expenses incurred as listed hereunder have been condoned.

Emergency		
Mpisi Electrical Network	32 118	-
Sole supplier or agent		
BB Truck and Tractor	2 637 121	-
IMFO	7 652	-
Komatsu	2 919 084	-
Trolley and Bin	791 908	-
Impossible or impractical		
Bushfellows	13 494	-
Club News and Printing t/a The Voice	8 200	-
Environment and Sustainable Solutions cc	55 205	-
Euphoria Golf Estate	114 582	-
Forever Resorts Warmbaths	24 220	-
Forsdyck Workwear cc	86 993	-
Karibu Leisure Resorts	11 716	-
Protea Hotels Parktonian	9 775	-
Thaba Moshate Hotel and Casino	2 720	-
The Whitehouse Guesthouse	40 845	-
Twain 2	102 917	2 032 135
Protea Hotel	-	7 120
Amper Alles	-	10 555
Thandozi Trading	-	439 250
Miki Masemola Transport	-	2 500
Monoka Tours	-	3 500
MCRS	-	13 700
Peza Catering	-	2 500
Madelv Civil and Building Construction	-	460 161
Bolivia Lodge	-	10 205
BCC Funeral	-	4 100
Blyd Canon	-	2 040
Bison Mining	-	15 920
Loskop Radio	-	18 691
Moleke Projects	-	461 700
Impact	-	213 032
Odd jobs	-	15 064
	6 858 550	**3 712 173**

51. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

51. Budget differences (continued)

51.1 Service charges

Billing for Conventional Electricity over-projected. No material variance on refuse.

51.2 Other income

Sekhukhune Write-Off.

51.3 Interest received

Unrealistic projection of investment income which was based on incremental budgeting.

51.4 Government grants and subsidies

No material variance on Grants and Subsidies

51.5 Fines

Accounting correctly for traffic fines IGRAP.